

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/9):
BUTTER: Grade AA closed at \$1.8625. The weekly average for Grade AA is \$1.8613 (-.0212).

CHEESE: Barrels closed at \$1.3575 and blocks at \$1.3600. The weekly average for barrels is \$1.3638 (-.0422) and blocks, \$1.3625 (-.0595).

NONFAT DRY MILK: Extra Grade closed at \$0.9200 and Grade A at \$0.9200. The weekly average for both Extra Grade and Grade A is \$0.9200 (N.C.).

BUTTER: The butter market tone is weaker. Churning activity over the past holiday weekend was heavier, but quickly returned to pre-holiday levels early in the week once Class II demand resumed. Stocks of butter are readily available for current needs, although often fresh butter demand surpasses supply. Many producers and handlers continue to voice their concern about having sufficient volumes of butter for late summer and fall use. Demand for packaged butter is slow to fair at retail, fair at food service.

CHEESE: The cheese market is unsettled to weak. Current price levels are conducive for the promotional activities being readied. Cash prices on the Chicago Mercantile Exchange cheese market have declined over 80 cents from their all-time peak back in April. Orders following the holiday weekend were still sluggish. Many in the industry feel cheese output will decline appreciably when summer weather reduces milk receipts and schools reopen for fall. Cumulative first 5 month U.S. cheddar production (adjusted to 151 days) totals 1.192 billion pounds, up 14.9 million pounds (1.3%) above the same period in 2003. Adjusted 2004 total cheese output is 3.696 billion pounds, up 146.7 million pounds (4.1%) from the same period in 2003.

FLUID MILK: Milk production across many areas of the country is beginning to be impacted by more summer like temperatures. In the Northeast, milk output is moving lower. Hotter and more humid conditions further south along the East Coast are causing milk to decline. Milk production is falling in Florida at a much sharper pace and little milk is leaving the state for processing. Southeastern balancing plants are still running, which is later than normal and projections. Surplus milk was available in the Midwest over the holiday weekend at moderate discounts. Milk output remains seasonally strong in California and plants were working hard to process the milk supplies over the holiday weekend. Arizona took in extra milk from nearby states to help out as local milk supplies slip due to hot weather conditions. Milk output is declining slowly from the peak in the Pacific Northwest as conditions remain generally cool. Class prices for

bottled fluid milk are lower in July for all federal milk orders (-\$3.18) and California (-\$3.68). Fluid milk orders are noted as slower to fair.

DRY PRODUCTS: There were support price offerings of nonfat dry milk to the CCC from the West this week. This was somewhat expected with the slowdown in interest over the past month. Cheese makers' interest in NDM is very light. Dry buttermilk prices are mostly steady to lower. The market is lightly tested with few spot offerings. Whey prices are lower in all areas as supplies build at the plant level. Demand is lighter as buyers wait for lower prices. Exports remain limited. Whey protein concentrate prices are mostly steady. Supplies vary by plant. Interest from feed accounts is slower than from food accounts. Lactose prices are unchanged to lower. The market is steady to weaker, especially for those sellers with lower volumes to export accounts.

CCC: For the week of July 5 - 9, CCC purchased 628,313 pounds of NDM at the support price of 80 cents. In addition, 2,926,986 net pounds of NDM were purchased for the Export Donation Program under Invitation 080 to Announcement FMP1.

MAY DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 102.4 million pounds in May, 10.9% below May 2003 but 6.1% above April 2004. American type cheese production totaled 327.1 million pounds, 2.4% above May 2003 and 1.5% above April 2004. Total cheese output (excluding cottage cheese) was 744.1 million pounds, 1.0% above May 2003 but 1.7% below April 2004. Nonfat dry milk production, for human food, totaled 148.1 million pounds, 9.6% below May 2003 but 10.5% above April 2004. Dry whey production, for human food, was 82.6 million pounds, 9.0% below May 2003 and 2.1% below April 2004. Ice cream (hard) production totaled 74.8 million gallons, 7.5% below May 2003 and 3.3% below April 2004.

MAY FLUID MILK SALES (AMS & CDEA): During May, about 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 6.9% lower than May 2003. After adjusting for calendar composition, sales in May 2004 were 4.3% lower than May 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from May 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

******SPECIAL THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY JULY 5	TUESDAY JULY 6	WEDNESDAY JULY 7	THURSDAY JULY 8	FRIDAY JULY 9	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	CME	\$1.3825 (N.C.)	\$1.3575 (-.0250)	\$1.3575 (N.C.)	\$1.3575 (N.C.)	(-.0250)	\$1.3638 (-.0422)
40# BLOCKS	CLOSED	\$1.3700 (-.0400)	\$1.3600 (-.0100)	\$1.3600 (N.C.)	\$1.3600 (N.C.)	(-.0500)	\$1.3625 (-.0595)
NONFAT DRY MILK EXTRA GRADE		\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
GRADE A	NO	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
BUTTER GRADE AA	TRADING	----	\$1.8600 (-.0350)	----	\$1.8625 (+.0025)	(-.0325)	\$1.8613 (-.0212)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, JULY 5, 2004

HOLIDAY, NO TRADING

TUESDAY, JULY 6, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.3925, 1 @ \$1.3700; BIDS UNFILLED: 1 CAR BARRELS @ \$1.3400; OFFERS UNCOVERED: 5 CARS 40# BLOCKS: 1 @ \$1.3700, 2 @ \$1.3800, 2 @ \$1.4100
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JULY 7, 2004

CHEESE — SALES: 1 CAR BARRELS @ \$1.3550; 7 CARS 40# BLOCKS: 3 @ \$1.3700, 1 @ \$1.3675, 1 @ \$1.3650, 1 @ \$1.3625, 1 @ \$1.3600; BIDS UNFILLED: 1 CAR BARRELS @ \$1.3575; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3700
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.8800, 1 @ \$1.8700, 1 @ \$1.8600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.8625, 1 @ \$1.8950

THURSDAY, JULY 8, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.3600; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.3575; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JULY 9, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.3600; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.3575; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3700
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.8600, 1 @ \$1.8625, 1 @ \$1.8600, 1 @ \$1.8625; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.8650, 1 @ \$1.8800

BUTTER MARKETS**MAY BUTTER PRODUCTION**

During May 2004, butter production in the United States totaled 102.4 million pounds, 10.9% less than May 2003 but 6.1% more than April 2004. The following are May to May changes for various states: CA-5.9%, NY +2.3%, PA -19.5%, and WI -25.3%.

NORTHEAST

The market tone showed a little strength last week. For the week, the butter price at the CME gained 6.75 cents from the previous Friday, but the weekly average did slip a penny. The market tone is a little unsettled in that prices have been on somewhat of a roller coaster the past few weeks. Since increasing in early June, the price starting June 18 declined for four straight sessions before increasing the next two sessions, and decreasing fractionally on July 2. Churning activity was light to moderate last week, but more surplus cream was available during the holiday weekend. However, churning is slower early this week as ice cream and other Class II users get back on line. Demand for package butter is slow to fair at retail, fair at food service. Distributors are expected to be busy this, four-day work week. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The market tone for butter remains mixed, although some butter producers and handlers feel that weakness might continue for the near term. Most still feel that by early fall, prices will once again gain strength. Churning activity over the past holiday weekend was heavier, although this quickly subsided once Class II demand increased early in the week. At this point, butter stocks are sufficient to meet current demand, although fresh butter supplies are often short of full needs. Butter demand

continues to be seasonally fair at best. Suppliers continue to comment that firm prices at the grocery store shelf appear to be slowing sales. Food service orders are basically steady for this time of the summer. Vacation and resort areas are seeing good traffic, thus restaurants and eating establishments are reporting equally positive demand. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter prices at the cash CME market generally firmed last week (+6.75 cents) after declining almost 20 cents the previous week. There seems to be some support for the market in the low \$1.80's. Prices declined at midweek by 3 1/2 cents in light trading. There are sales at the market on both bids and offers. The general consensus still seems to be that there will be short butter supplies this fall. Slightly more milk was around than anticipated and that may be tempering this thinking. Food service orders seem to be doing better than retail at this point. Cream supplies were heavy over the holiday weekend and took until early this week to clear up. Anecdotal reports on butter production at the end of May indicated that production was heavier than planned for various reasons. The May NASS production numbers seem to bear this out. May U.S. butter output, at 102.4 million pounds, trailed a year ago by 10.9% (12.5 million pounds), but the last three months the deficit ranged from 17.4%-23.5%. Output was actually up 6.1% from April or 5.9 million pounds. This is only the second increase from April to May in the last ten years. Output for the first five months of the year totals 533.3 million pounds, down 15.9% from the same period last year or 100.8 million pounds. Output in the Western region compared to last year is down 9.2% or 4.9 million pounds. The West produced 43% of U.S. butter output in May. Current prices for bulk butter range from flat market to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
JULY 03	1.7509	1.7259	0.8454	1.8935	0.2695
	7,767,220	9,990,295	29,379,958	2,268,419	9,734,122

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are sharply lower again this week on most items. The market tone is weak. Buyers continue to wait to make purchases beyond normal weekly volumes. Most distributors were active last week getting orders out to buyers for the holiday weekend needs, and they expect to be fairly active this week as most were closed on Monday, July 5. With prices dropping so fast, there is little interest from retailers and users. Food service orders are holding up nicely, particularly for process cheese. Cheese output in the Northeast is light to moderate. Like late May, cheese prices have fallen significantly and Class III milk prices have not declined in proportion. Therefore, producers are not eager to produce any more cheese than they have to. Retail sales are slow as prices are slow to react to the wholesale price declines.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4900-2.0050
Cheddar Single Daisies	:	1.4475-1.9225
Cheddar 40# Block	:	1.5625-1.8225
Process 5# Loaf	:	1.6175-1.8225
Process 5# Sliced	:	1.6375-1.8800
Muenster	:	1.6625-1.8650
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to weak. Buyers continue to delay or minimize orders in the hope of additional price declines. After the long summer holiday weekend, orders are still disappointing. The Chicago Mercantile Exchange cash cheese market block and barrel prices have been occasionally inverted though summer is usually a time for stronger process sales (barrels) than some natural varieties. Wholesale prices are sharply lower though Swiss continues to be affected by the high milk prices of about 2 months ago. More packagers, processors, and retailers were working on promotional activities at the current cheese prices. Some food service operations have reportedly gone to thinner process slices or use less mozzarella to try to reduce cheese expenses. Current cheddar stocks remain long and the inventory of medium is also growing. Milk and cheese production is about steady to just slightly lower as moderate summer temperatures have not yet placed a significant affect on cow comfort. Plant inventories have yet to decline appreciably.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5850-2.1900
Brick And/Or Muenster 5#	:	2.0775-2.1700
Cheddar 40# Block	:	1.7750-2.2650
Monterey Jack 10#	:	2.0175-2.2650
Blue 5#	:	2.1725-2.8900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7200-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3475-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS-INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
07/05/04	47,091	:	155,328
06/01/04	43,391	:	146,433
CHANGE	3,780	:	8,895
% CHANGE	9	:	6

WEST

The weekly average price for cheese at the cash CME market was again sharply lower last week. Prices are continuing to fall this week. Some contacts speculate that the trading activity may indicate that a bottom point is near. Others, of course, are not so sure. Trading activity at the Exchange is much lighter than was noted in the past few weeks. Buyers seem to be taking a wait and see approach on making additional purchases. This tactic will probably last until more stability is noted in the market. Stocks of cheese at the producer level seem to be growing. Number one quality cheese is moving reasonably well, but under grade cheese is slow to clear. U.S. total cheese production in May totaled 744.1 million pounds, up 1.0% (+7.1 million pounds) from May 2003. Production trailed April by 1.7% or 12.6 million pounds. The May increase is the smallest year to year change noted this year. Increases have ranged from about 3% to more than 8%. Cumulative output for the year has reached 3.72 billion pounds, up 4.8% (+171.0 million pounds). Total cheese output in the Western region in May is 309.0 million pounds, up 4.5% from last year. The West produced 42% of the total cheese in the U.S. Swiss output for the U.S. in May is 24.1 million pounds, up 7.3% from last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5575-1.8175
Cheddar 40# Block	:	1.5450-1.8975
Cheddar 10# Cuts	:	1.7250-1.9450
Monterey Jack 10#	:	1.7350-1.8950
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices of U.S.-made cheese decreased significantly while imported cheese prices are unchanged. The U.S. cheese market remains weak. The cheese prices at the CME have dropped nearly forty cents per pound in the last two weeks. Demand for foreign type cheese is slow to fair. Distributors are a little more active this week as most were closed on Monday, July 5. The decline in the U.S. cheese prices has taken away the price advantage that some of the imported processing cheeses enjoyed earlier in the year when the U.S. price for 40# blocks at the CME was around \$2.20.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	:	NEW YORK	:	IMPORTED	:	DOMESTIC
Roquefort	:	TFEWR	:	-0-	:	-0-
Blue	:	2.6400-4.2500	:	1.7850-3.2750*	:	1.7850-3.2750*
Gorgonzola	:	3.6900-5.9400	:	2.2875-2.4900*	:	2.2875-2.4900*
Parmesan (Italy)	:	TFEWR	:	3.1950-3.3050*	:	3.1950-3.3050*
Romano (Italy)	:	2.1000-3.1500	:	-0-	:	-0-
Provolone (Italy)	:	3.4400-5.5500	:	1.7950-2.0200*	:	1.7950-2.0200*
Romano (Cows Milk)	:	-0-	:	2.9825-5.1550*	:	2.9825-5.1550*
Sardo Romano (Argentina)	:	2.8500-3.2900	:	-0-	:	-0-
Reggiano (Argentina)	:	2.6900-3.2900	:	-0-	:	-0-
Jarlsberg-(Brand)	:	2.9500-4.0900	:	-0-	:	-0-
Swiss Cuts Switzerland	:	-0-	:	2.4500-2.6500	:	2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500	:	-0-	:	-0-
Swiss Cuts Austrian	:	TFEWR	:	-0-	:	-0-
Edam	:	:	:	:	:	:
2 Pound	:	TFEWR	:	-0-	:	-0-
4 Pound	:	2.1900-3.4500	:	-0-	:	-0-
Gouda, Large	:	TFEWR	:	-0-	:	-0-
Gouda, Baby (\$/Dozen)	:	:	:	:	:	:
10 Ounce	:	27.8000-31.7000	:	-0-	:	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	45	0	101	0	52
SOUTHEAST STATES	0	0	0	0	0	0

The following are the June 2004 Class and component prices under the Federal Milk Order pricing system: Class II \$14.31 (down \$0.72 from May), Class III \$17.68 (down \$2.90); and Class IV \$13.72 (down \$0.78). The following are the product price averages used in computing Class prices: butter \$1.9290, NDM \$0.8497, cheese \$1.8411, and dry whey \$0.2890. The Class II butterfat price is \$2.1838 and the Class III/IV butterfat price is \$2.1768. Milk production is easing lower in the far north where temperatures remain moderate. Farther south in the Middle Atlantic and Southeastern areas, the hot, muggy weather is taking its toll on the milk flow and farm pick-up route are being consolidated. The fat and protein tests on incoming milk are easing lower along typical summer patterns. Milk production in Florida is dropping at a more rapid pace and handlers report fewer shipments of surplus milk out of state. Throughout the region, bottled milk sales are steady at mostly slow to fair levels. The holiday weekend did see a little more milk and cream being offered for sale, but most volumes did clear to local outlets. A few plant problems were noted, but only caused temporary disruptions to milk clearances. Southeastern balancing/manufacturing plants that might normally be down for the season by early July are still operating daily. Condensed skim demand is slightly improved for Class II wet solids, still very slow from Class III buyers. The formula price for Class III wet solids still gives a price well above \$1.25 per pound of solids and users are easily substituting NDM at less than \$.90 per pound. The fluid cream market is mixed. Demand slowed late last week, but improved during the weekend as ice cream makers geared up after the long holiday weekend. Supplies are a little long this week as some suppliers do have mid-week loads still looking for an outlet. Spot prices are often lower as the CME average butter price slipped a penny and multiples were lower than a week ago. Cream cheese production is about steady. Ice cream output is getting back to normal after the holiday weekend and expected to continue at good levels throughout the summer. However, if butterfat prices get back above \$3.00 per pound fat, demand may again slow. The hot weather is really giving soft serve mix sales a boost. Churning activity was heavier over the weekend, but back to more moderate levels by mid-week.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.4473-2.6920
DELIVERED EQUIVALENT ATLANTA	-	2.4849-2.7108 M 2.5037-2.5979
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.5414-2.6355

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9200-.9600
NORTHEAST- CLASS III - SPOT PRICES	-	1.2700-1.3300

M I D W E S T

Class I interest seems even slower following the holiday. After the publicity generated by the high Class I prices in recent months, a few handlers wondered when or if the lower July Class I prices will start to show up in stores. Surplus fluid volumes were available over the holiday weekend. Plant capacity, where operators were not taking an extra day vacation, was adequate. Holiday surplus milk volumes did receive some discounts with most of the discounts in the \$1.00 - 2.00 under area. However, some loads did receive up to around a \$0.75 net fob premium over class price both during and after the weekend. Manufacturing milk interest is spotty, though with better interest where expected lower milk prices and the prospect for better short term cheese sales were noted. Some plants continue to limit outside milk purchases to minimize inventory accumulation. Following the long holiday weekend, ice cream producers returned to their regular heavy seasonal schedules. At least one ice cream operation ran on Monday (7/5) rather than the upcoming Saturday while others are planning for a 5 or possibly a 6 day run this week. Cream demand

was good and multiples were steady to higher. The general lack of heat with the Wednesday (7/7) peak only in the mid to upper 60's did little to stress cows. However, the forecast of 80s to perhaps 90 degrees with humidity this weekend may cause plant milk volumes to decline from the little changes currently noted. Fat and protein tests are steady to drifting lower seasonally. Crop conditions vary from generally good further south to still a lot of bare ground and farm ponds in the wet areas further north. Putting up quality forage has been a real struggle this year for many producers due to wet fields and frequent showers.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JULY 1 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 56.00- 61.50	\$ 45.00- 48.00
REPLACEMENT HEIFER CALVES	\$350.00-600.00	\$310.00-410.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JULY 1 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 55.00- 62.50	\$ 40.75- 52.00

W E S T

The June 4a price (butter/powder) in CALIFORNIA is \$13.30, \$0.65 lower than May but \$3.66 higher than last year. This compares to the Federal Order Class IV price for June at \$13.72. The June 4b price (cheese) is \$16.35, down \$2.99 from May but \$6.85 higher than last year. This compares to the Federal Order Class III price for June at \$17.68. Milk output remains seasonally strong in CALIFORNIA. Milk handling over the holiday weekend was sometimes more of a struggle than handlers had expected. The onset of hotter weather in the Central Valley is welcomed to dampen milk supplies. There are reports that a large number of cows will be freshening in July. If the weather remains moderate by summer standards, milk supplies could increase. Cheese producers continue to limit milk intakes in attempts to work down inventories and match production to sales. Fluid milk orders are below expectations following the first of the month. Declines in Class 1 prices are not helping to stimulate buying. Hay harvesting in the state is active and good conditions are making for good hay. Milk output in ARIZONA continues to trend lower along expected seasonal declines. Daytime temperatures remain over the 100 degree mark and conditions are cooler at night. The monsoon season is expected which will increase humidity and cow discomfort. Over the holiday weekend, milk was processed from nearby states, but those supplies are declining at midweek. Prices for CREAM are mixed this week. There were some bargains around over the holiday weekend and into early week, but offerings returned to normal. Ice cream interest is mixed. Some producers are taking more cream, while others are seeing finished product orders slow and they are taking less cream. The CME butter price closed at \$1.8600 on July 7, a drop of 4.25 cents from last week. Multiples are mostly unchanged and range from 117 to 129, FOB, and vary depending on class usage and basing point. Cool conditions are common over the PACIFIC NORTHWEST. Most reports indicate that milk production is past the peak and is edging lower. No change is expected until weather conditions become more stressful. Some contacts are expressing some concern about fall and winter milk production potential. The hay crop is not turning out well in the region and competition for available supplies is heating up. Much of the first cutting either got rained on or was too mature for ideal feed value. Any good hay that is available is commanding higher prices. Some rain is also falling on the second cutting, further tightening supplies. A bright spot from the feed side is that corn prices are weaker and milk producers are looking to contract some of their needs. Springing heifer prices at a major monthly Washington sale declined \$2-300 from last month. The supply available was also lower. Conditions had been cooler than normal in UTAH and IDAHO, but more heat is expected at midweek and into the weekend. The cooler temperatures are helping to reduce water needs in the short run which may help growers have enough water at the end of the season to finish out crops. Many comments are noted that the corn crop does not look good for this time of the year. Heifer prices in the region are definitely off the peak noted this spring, but they have also moved above the lower prices of a few weeks ago. Growers had problems in this region also getting up the first cutting in good condition. They hope the second cutting, which they are just starting on, is of higher quality.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a steady to weak market. More production of NDM is occurring than anticipated at this time of year. Reduced interest in condensed skim over the holiday weekend encouraged NDM production at some locations. Heavier stocks are encouraging some producers to sell NDM at a discount. Aged NDM from CCC sell back programs is readily available at prices below the range for the very light interest. Manufacturers await hot summer temperatures that will reduce milk volumes and tighten available NDM supplies. High heat demand is good as supply availability this fall is questionable.

EAST: Eastern prices are unchanged to lower. Some producers have lowered their asking prices on current production to better compete with all the NDM that is on the market from CCC warehouses via their various programs. Traders are offering and selling NDM in the low \$.80's. Current production levels are moderate to heavy and producer stocks are growing. This is a concern for some, but not a big one. Most see the previously government-owned stocks disappearing and fluid milk supplies tightening during the summer heat, which will bring demand back to them later this summer. However, the nation's largest NDM marketing agency did offer NDM to CCC this week from Western plants. This is the first, "real" Dairy5 purchase in several months. Demand is steady. DAIRY PRODUCTS: Production of human food, nonfat dry milk during May 2004 totaled 148.1 million pounds, down 9.6% from May 2003 but 10.5% above April 2004. Month ending stocks, at 121.7 million pounds, are 4.5% below a year ago but 17.4% above than last month.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8575 - .9800 MOSTLY: .8700 - .9100
HIGHHEAT: .9050 - 1.2000

NONFAT DRY MILK - WEST

Pricing levels are mixed this week for low/medium heat NDM. Prices on the bottom ends of the range and mostly series are lower. There were support price offerings to the CCC (80 cents) made at midweek. Some higher prices within the range were noted as program pricing adjustments are implemented. Like prices, the market tone is more unsettled. The sense of market strength seems to have left the market as cheese prices fell. More NDM is available on the market place as drying levels remain strong and demand weaker. Schedules were heavy over the holiday weekend to help balance supplies. Resale powder is available from numerous sources and holders are looking for bids. Demand is lighter, especially from the cheese sector. Stocks at the plant level range from light to moderate levels. High heat NDM prices continue to soften. Sales volumes are limited in a lightly tested market. Buyers are no longer willing to pay top dollar for high heat as demand has softened. U.S. NDM production in May totaled 148.1 million pounds, down 9.6% from last year but 10.5% higher than April. For the first five months of 2004, NDM production is running 16.0% lower (-121.4 million pounds) than 2003. May production in the Western region totaled 106.0 million pounds, down 11.2% from last year. California produced 69.1 million pounds, up 2.4% from May 2003. U.S. manufacturers' stocks at the end of May were reported at 121.7 million pounds, down 4.5% from last year but 17.4% more than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8800 MOSTLY: .8300 - .8625
HIGHHEAT: .8600 - 1.0000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 2	\$.8355	14,278,320	0
June 25	\$.8381	13,365,505	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Buttermilk prices are unchanged to lower. The market tone is generally steady. Some producers are releasing loads at lower prices in order to be more in line with prices reported in the West. Other producers are less inclined to reduce prices as milk supplies are expected to tighten later in the summer, resulting in a rationing of current stocks for contractual commitments. Dry buttermilk production is steady to lower as supplies of condensed buttermilk move seasonally into ice cream operations. Production of dry buttermilk during May 2004 totaled 5.5 million pounds, 16.5% more than May 2003 and 8.5% above April 2004. Month ending stocks, at 4.5 million pounds, are 52.1% below a year ago but 11.2% more than April 2004.

F.O.B. CENTRAL:

1.0350 - 1.2700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged to lower. There is growing resistance to buttermilk offering prices. Users are readily able to substitute NDM in their formulas at prices in the low 80's. The Northeastern prices are nominal and contain resale prices. Production levels are heavier at some plants, steady at others. Producer inventories are light to moderate and more than adequate to meet current needs. Demand is fair. Dry buttermilk production during May 2004 totaled 5.5 million pounds, up 16.5% from last May and 8.5% more than April 2004. Month ending stocks, at 4.5 million pounds, are 52.1% less than last year but 11.2% more than a month ago.

F.O.B. NORTHEAST:

1.0000 - 1.1900

DELVD SOUTHEAST:

.9800 - 1.2000

DRY BUTTERMILK - WEST

No price changes are noted for dry buttermilk in the West. The market tone is trending steadier. Demand is fair at best from seasonal accounts. Additional drying beyond projections has developed for several producers as butter churning has remained active. Condensed buttermilk interest is good. Stocks of dry buttermilk are light to moderate. U.S. dry buttermilk production in May totaled 5.4 million pounds, up 16.5% from last year and 8.5% higher than April. Stocks at the end of May were reported at 4.5 million pounds, 52.1% less than last year but 11.2% higher than last month.

F.O.B. WEST:

1.0200 - 1.0650 MOSTLY: 1.0200 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are lower and nominal. The price declines are due to a combination of the lower Class IV milk and CME butter prices. The market tone is unchanged. Demand is slow for both domestic and imported dry whole milk. Production levels are light. Dry whole milk production during May 2004 totaled 3.2 million pounds, up 64.4% from last May but 40.1% less than April 2004.

F.O.B. PRODUCING PLANT:

1.3350 - 1.4800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 - YTD
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT. Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are lower on a weak market. Resellers continue to undercut direct manufacture prices. Some traders are willing to sell contractual supplies at a loss in order to clear building stocks. Feed users are also selling excess stocks of whey to generate cash flow. Supplies of whey are also building at the plant. Buying interest is light from domestic and export markets. Production is mostly steady. Extra supplies of condensed whey were readily available over the holiday weekend for the light interest. Permeate is reported as a low cost alternative to whey. Production of human food, dry whey during May 2004 totaled 82.6 million pounds, 9.0% less than May 2003 and 2.1% below April 2004. Month ending stocks, at 33.7 million pounds, are 25.7% below a year ago but 3.8% more than April 2004.

F.O.B. CENTRAL: .2500 - .2750 MOSTLY: .2575 - .2700

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly lower. Despite the price reduction, the market tone is little changed in the East. Local producers indicate that cheese production is often lower and whey supplies, at their level, are tight. Most producers are barely able to meet contract delivery schedules. Some have notified buyers that production decreases make it necessary to cut their contracts during the coming months and maybe for the rest of the year. With cheese prices falling and high priced milk, many cheese makers are limiting cheese production until the cheese/milk price relationship is back in line. Traders continue to report another week of slow market activity. Production of human food, dry whey during May 2004 totaled 82.6 million pounds, 9.0% less than May 2003 and 2.1% less than April 2004. Month ending stocks, at 33.7 million pounds, are 25.7% below last year but 3.8% more than a month ago. Production of animal feed, dry whey during May totaled 8.2 million pounds, 27.3% more than a year ago and 8.3% above March 2004.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2750 - .3125
DELVD SOUTHEAST: .2900 - .2950

DRY WHEY - WEST

Western whey prices continue to weaken under pressure from stock levels that are heavier than desired. The lower prices are succeeding in moving some additional supplies of powder. Some contacts feel that a bottom may be near in this price cycle, but only time will tell. Some plants are trying to limit cheese production because of the poor alignment between cheese and milk prices. U.S. edible whey production in May totaled 82.6 million pounds, down 9.0% from a year earlier. Stocks at the end of May are surveyed at 33.7 million pounds, 25.7% less than a year ago. Total dry whey production for the first five months of the year has reached 447.5 million pounds, down 4.8% (22.8 million pounds) from the same period last year. Western region production in May of edible whey totals 23.1 million pounds, down 1.6% from a year ago.

NONHYGROSCOPIC: .2150 - .2850 MOSTLY: .2300 - .2450

ANIMAL FEED WHEY - CENTRAL

Prices are lower on a weak market. Producer prices are reduced in response to competitive permeate prices and reduced demand. Supplies are heavier than desired. Veal markets are firm while early weaned pig markets are weak. Production of animal, dry whey during May 2004 totaled 8.2 million pounds, 27.3% more than May 2003 and 8.3% above April 2004. Month ending stocks, at 4.9 million pounds, are more than double (115.8%) levels from a year ago and 24.5% more than April 2004.

F.O.B. CENTRAL: .1600 - .2300
MILK REPLACER:

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a mostly steady market. Supplies are mixed. While some plants are sold out or in balance, others are offering out additional loads for the light interest. Prices are thought to have peaked as aged Extra Grade CCC NDM sell back supplies are becoming more readily available. WPC 34% demand is steady into domestic and export edible accounts. Feed interest is light, especially as buyers await another CCC award announcement on the sale of government owned NDM for use other than human consumption. Reduced demand for milk replacers by some veal operations is encouraging some WPC 34% buyers to delay pick-up of their contractual loads. Production is steady to higher as some plants processed additional loads of condensed whey over the holiday weekend. Off grade supplies are available for the light interest. Production of HUMAN FOOD WPC during May 2004 totaled 24.4 million pounds, down 8.7% from May 2003 but 0.5% above April 2004. Manufacturers' end-of-month stocks totaled 18.1 million pounds, 41.0% lower than a year ago but 4.6% above last month. Production of ANIMAL FEED WPC during May 2004 totaled 3.7 million pounds, up 10.9% from May 2003 but 0.7% below April 2004. Manufacturers' end-of-month stocks totaled 1.7 million pounds, 8.8% above last year and 6.1% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .6350 - .6700 MOSTLY: .6450 - .6650

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower on a steady to weak market. Contracts continue to be finalized for the third quarter. Some prices are reported lower, particularly into some export markets. Traders suspect that heavier supplies of lactose are due to reduced interest from New Zealand during the current year. Stocks of lactose in China and Japan are heavier than expected, reducing export demand and encouraging US producer competition for these markets. Production of lactose is steady to higher as some plants processed excess volumes of condensed whey over the holiday weekend. Feed grade lactose is available for the light interest. Lactose production during May 2004 totaled 60.0 million pounds, up 14.6% from May 2003 and 6.6% higher than April 2004. Month ending stocks, at 55.4 million pounds, are 37.7% higher than a year ago and 1.6% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2100 - .2700 MOSTLY: .2200 - .2450

CASEIN - NATIONAL

Casein markets remain firm. Prices are generally unchanged. Prices at the lower end of the reported range were negotiated earlier in the year and now are taking effect, but most of the market activity is at the mid to top end of the range. Stocks remain in close balance for contractual commitments and basically nonexistent for spot buyer needs. Under invitation #020, 2,022,217 pounds of government owned skim milk powder were sold at \$.36 per pound for the production of casein/caseinates. The CCC issued invitation #021 to accept bids to purchase approximately 2 million pounds of government owned skim milk powder for the production of casein/caseinates. Bids are due on Thursday July 8 with public results announced July 13. Since the program began in June 2002, nearly 17.4 million pounds of powder have been sold for this purpose at prices ranging \$.22 - .38 per pound.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.4500 - 2.6800
ACID: 2.4500 - 2.7000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady, but a little more surplus milk was available over the holiday weekend. These volumes are expected to tighten along seasonal patterns as we progress through summer and some plants may see their milk receipts dwindle significantly. The high price of the milk is also a factor in producers' plans to build inventories ahead of fall/winter needs. Demand is steady. Canned evaporated milk production during May totaled 46.0 million pounds, 25.1% less than May 2003 but 19.4% more than April 2004. Month ending stocks, at 55.8 million pounds, are 11.9% less than a year ago but 10.6% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	06/23	06/24	06/25	06/28	06/29	06/30	07/01	07/02	07/05	07/06
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JUN 04	17.70 (6290) 155	17.68 (6236) 52	17.69 (6237) 40	17.70 (6230) 14	17.69 (6218) 25	17.69 (6217) 3	17.69 (5531) 0	17.68	NO TRADING	
JUL 04	15.70 (5825) 987	15.28 (5874) 1418	14.53 (6030) 857	14.73 (5853) 1136	14.97 (5796) 255	14.74 (5862) 216	14.89 (5927) 167	14.90 (5983) 318		14.82 (6069) 159
AUG 04	14.30 (5364) 751	13.75 (5434) 439	13.10 (5280) 858	13.78 (5207) 484	14.20 (5189) 228	13.90 (5230) 183	13.64 (5159) 302	13.65 (5218) 117		13.68 (5159) 191
SEP 04	14.02 (4941) 696	13.71 (4978) 827	13.35 (4869) 617	14.10 (4814) 584	14.25 (4912) 459	14.06 (5006) 216	13.86 (5023) 265	13.83 (5031) 52		13.95 (5099) 155
OCT 04	13.23 (3140) 526	13.20 (3142) 127	12.81 (3146) 77	13.25 (3164) 48	13.50 (3152) 75	13.40 (3152) 22	13.40 (3113) 120	13.50 (3114) 16		13.50 (3117) 15
NOV 04	12.60 (1979) 24	12.45 (1980) 16	12.30 (1966) 45	12.55 (1959) 32	12.70 (1964) 46	12.65 (1979) 57	12.60 (2030) 81	12.80 (2037) 17		12.90 (2027) 15
DEC 04	12.15 (1886) 37	12.10 (1899) 31	12.06 (1868) 43	12.30 (1858) 38	12.40 (1828) 42	12.12 (1810) 19	12.16 (1854) 75	12.35 (1860) 11		12.35 (1860) 0
JAN 05	12.30 (512) 23	12.30 (534) 31	12.30 (550) 57	12.30 (558) 33	12.40 (558) 0	12.40 (558) 0	12.30 (558) 5	12.34 (558) 0		12.34 (558) 24
FEB 05	12.18 (460) 16	12.18 (478) 29	12.18 (499) 24	12.18 (506) 50	12.27 (507) 32	12.26 (507) 0	12.25 (510) 3	12.28 (510) 5		12.28 (521) 54
MAR 05	12.25 (411) 19	12.25 (434) 28	12.20 (433) 16	12.20 (370) 70	12.35 (350) 21	12.34 (350) 0	12.25 (349) 2	12.32 (349) 5		12.30 (325) 44
APR 05	12.35 (220) 28	12.50 (243) 32	12.45 (241) 27	12.35 (241) 59	12.40 (254) 31	12.40 (268) 32	12.35 (268) 0	12.35 (268) 5		12.35 (268) 2
MAY 05	12.55 (191) 16	12.55 (214) 32	12.50 (214) 18	12.40 (221) 53	12.49 (221) 0	12.40 (209) 15	12.35 (208) 1	12.35 (208) 0		12.35 (214) 8
JUN 05	12.65 (114) 13	12.70 (140) 29	12.70 (157) 20	12.60 (179) 99	12.70 (179) 0	12.70 (183) 4	12.65 (183) 0	12.65 (183) 0		12.65 (183) 0
JUL 05	12.75 (51) 1	12.80 (71) 22	12.80 (82) 11	12.80 (83) 2	12.99 (83) 0	12.99 (83) 0	12.99 (83) 0	12.99 (83) 0		12.99 (83) 0
AUG 05	13.00 (45) 2	13.09 (73) 31	13.20 (83) 15	13.20 (83) 0	13.40 (83) 0	13.40 (83) 29	13.40 (83) 0	13.40 (83) 0		13.40 (83) 0
SEP 05	13.00 (41) 1	13.00 (63) 22	13.25 (69) 14	13.35 (69) 0	13.40 (69) 0	13.40 (69) 0	13.41 (69) 4	13.40 (69) 0		13.40 (69) 0
OCT 05	12.50 (28) 0	12.50 (50) 22	12.50 (51) 9	12.50 (51) 0	12.70 (51) 0	12.70 (51) 0	12.70 (51) 0	12.70 (51) 0		12.70 (51) 0
NOV 05	12.25 (28) 0	12.25 (49) 21	12.25 (49) 9	12.25 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0		12.35 (49) 0
DEC 05	12.30 (28) 0	12.30 (49) 21	12.30 (49) 9	12.30 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0		12.35 (49) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
JUL 04	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	NO TRADING	
AUG 04	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0		14.00 (77) 0
SEP 04	13.55 (87) 0	13.55 (87) 0	13.55 (87) 0	13.55 (87) 0	13.55 (87) 0	13.55 (87) 0	13.55 (87) 0	13.55 (87) 0		13.55 (87) 0
OCT 04	13.55 (19) 0	13.55 (19) 0	13.55 (19) 0	13.55 (19) 0	13.55 (19) 0	13.55 (19) 0	13.55 (19) 0	13.55 (19) 0		13.55 (19) 0
NOV 04	12.70 (59) 0	12.70 (59) 0	12.70 (59) 0	12.70 (59) 0	12.70 (59) 0	12.70 (59) 0	12.70 (59) 0	12.70 (59) 0		12.70 (59) 0
CME - BUTTER FUTURES -- Cents per pound										
JUL 04	193.00 (349) 6	186.50 (335) 19	183.75 (318) 23	185.00 (312) 11	190.00 (290) 24	194.50 (272) 13	194.75 (287) 18	189.75 (256) 12	NO TRADING	
SEP 04	191.50 (321) 8	184.00 (322) 9	180.00 (322) 9	180.00 (322) 1	185.00 (321) 2	189.00 (321) 0	189.00 (321) 3	188.00 (331) 11		186.00 (331) 4
OCT 04	190.00 (107) 1	180.00 (109) 2	179.50 (114) 5	180.00 (117) 3	185.00 (116) 1	186.00 (116) 0	187.00 (117) 1	186.00 (117) 0		186.00 (117) 0
DEC 04	157.50 (76) 1	151.50 (68) 12	148.50 (68) 0	148.50 (69) 1	153.50 (69) 0	153.50 (69) 0	153.50 (69) 0	153.50 (69) 0		153.50 (69) 0
MAR 05	149.00 (20) 1	145.00 (25) 5	148.00 (27) 2	149.25 (27) 0	150.00 (27) 0	150.00 (27) 0	150.00 (27) 0	150.00 (27) 0		150.00 (27) 0
MAY 05	151.00 (12) 1	146.00 (18) 6	148.00 (20) 2	149.25 (20) 0	149.25 (20) 0	149.50 (20) 0	149.50 (20) 0	149.50 (20) 0		149.50 (20) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered June 28 - July 9, 2004

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: Milk production in Western Europe is past the peak and continues to edge lower. Reports indicate that output is lagging last year at this time. Milk handlers and manufacturers continue to voice their concern about having sufficient milk volumes to maintain steady manufacturing schedules and adequate finished product for customer needs. At this point, it appears that this is not the case. Often, producers and handlers state that their supply situation is not at desired levels for this time of the season. Many indicate that milk volumes were lighter during the first half of the production season and the peak was not as high as previous years, before declining. Most are optimistic that the last half of the milk production season will be more positive and possibly make up for some of the first half loss. July 1 has arrived and the intervention prices for skim milk and butter have been reduced. This is the first such adjustment since February 1995. The new intervention price for skim milk powder is 195.24 Euros per 100 KG with the butter price reduced to 305.23 Euros per 100 KG. During the most recent Dairy Management Committee meeting on June 25, the Committee accepted bids under the tendering system and lowered Common EU export subsidies. Under the tendering system, 3,796 MT out of nearly 5,800 MT of butter were accepted at 148.0 Euros per 100 KG and only 17 MT of skim milk powder were bid and accepted at 36.5 Euros per 100 KG. The Committee also lowered the Common EU export subsidies for many dairy products. The new subsidies in Euros per 100 KG are: butter 135.0; skim milk powder 29.0; and whole milk powder 70.0. Overall, commercial prices for most manufactured dairy products in Europe are higher, but traders feel that these firm levels will not be sustainable. Small international sales activity has been occurring, but no significant sales have been reported. Traders indicate that buyer interest is starting to develop for skim, whole milk powder, and butteroil.

BUTTER/BUTTEROIL: European butter markets are firm with prices generally higher. Cream supplies are tight throughout most of Europe. Butter stocks are not at desired levels and offerings to intervention have slowed greatly. During the June 25 Dairy Management Committee meeting, the Common export subsidy was reduced by 60 Euros to 1,350 Euros per MT. Also effective July 1, the intervention value for butter was reduced to 3,052.30 Euros per MT. This was the first intervention adjustment since February 1995.

82% BUTTERFAT:	1,950 - 2,100
99% BUTTERFAT:	2,000 - 2,400

SKIM MILK POWDER (SMP): Skim milk powder markets are firm with prices generally higher. Stocks are not overly abundant and offerings to intervention have slowed greatly. In most instances, powder stocks are lighter than desired for this time of the season. Milk production is trailing last season by about 2-3%, thus manufactured dairy products are having to compete for milk share. International buyer interest is slow and unaggressive, although some traders report buyer interest starting to develop. On June 25, the EU Dairy Management Committee announced a reduction in the Common export subsidy to 29.0 Euros per 100 KG. Also on July 1, the intervention value was reduced to 195.24 Euros per 100 KG. This was the first intervention adjustment since February 1995.

1.25% BUTTERFAT:	2,150 - 2,225
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WHOLE MILK POWDER (WMP): Whole milk powder markets are firm. Prices are generally higher. Stocks of powder are limited although small volume sales are being reported. At the June 25th Dairy Management Committee meeting, the export refund for whole milk powder was reduced by 50 Euros to 700 Euros per MT. This was the second adjustment in June.

26% BUTTERFAT:	2,250 - 2,350
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SWEET WHEY POWDER: Whey powder markets are firm, although prices are holding generally unchanged. Supplies of whey are sufficient to meet domestic or internal needs with additional volumes available for international buyer interest. As in recent months, European prices are often higher than international buyers are willing to pay, although competitive in relationship to other available supplies.

NONHYGROSCOPIC:	500 - 550
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EASTERN EUROPEAN OVERVIEW: Milk output in Eastern Europe is now past the peak. Although official reports are limited, milk production trends during the current season are thought to be basically in line with past years. Stocks of manufactured dairy products are available for potential buyer interest. For some of the manufacturers in the countries that recently joined the EU 15,

OCEANIA

OCEANIA OVERVIEW: The milk production season in Oceania is now in its winter cycle. New Zealand's milk production figures for the season just concluded remain in the 3 - 4% range above last season while in Australia, with one month remaining in their milk production season, milk output for the year is reported to be running about 2.5% behind last year. The last half of the production season in Australia has been stronger than anticipated, thus producers have been able to make up some of the earlier season loss on a year to date basis. Although the milk production season has just concluded in New Zealand and not quite finished in Australia, milk producers and handlers are very optimistic about the upcoming 2004 - 2005 year. New Zealanders are hopeful that their output will follow trends of recent years with continued growth. In Australia, producers are hopeful that they will be able to carry on with the strength of the last half of the current season and at least maintain volumes of the 2003 - 2004 year. Oceania stocks of manufactured dairy products have changed little from recent weeks. In most instances, handlers and traders indicate that their supply situation is in close balance with butter supplies in the tightest position. Prices for most Oceania supplies have increased somewhat following trends in other international markets.

BUTTER: Oceania butter markets and prices are firm. The butter production season has basically ended, thus shipments are being filled from inventoried stocks. Traders and handlers state that butter supplies are in very close balance with demand. There is concern on the part of some traders that they may not have sufficient volumes to fill commitments and specifically indicate that they will not have any available for spot buyer interest. In Australia, butter production figures for the first 11 months of the year (July - May) indicate that output is trailing last season by 2%. Butteroil is trailing last season by 27.2%.

82% BUTTERFAT:	1,700 - 2,000
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CHEDDAR CHEESE: Cheddar cheese markets in Oceania. Shipments are being filled from inventoried stocks. For the most part, market activity is centering around regular and ongoing customer needs. Traders and handlers indicate that there is no new buyer interest occurring at this time. Most handlers and traders state that if new buyer interest was occurring, they would be able to acknowledge very little, if any at all, of this potential interest.

39% MAXIMUM MOISTURE:	2,625 - 2,800
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SKIM MILK POWDER (SMP): Skim milk powder markets and prices are firm. Oceania producers and handlers state that their supply situation is in close balance with very minimal volumes, if any at all, available for additional buyer needs. Traders and handlers indicate that negotiations for the upcoming production season are well underway and, for the most part, much of the early season output is fully committed. Australian production of skim milk powder for the eleven month period of July - May is 0.4% ahead of the same period in 2002 - 2003.

1.25% BUTTERFAT:	2,000 - 2,200
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WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are firm. Prices are unchanged to generally higher. Strength in Oceania prices is being attributed to firmness in other international markets. Stocks are in close balance. Most traders and handlers feel that they will be able to meet contractual commitments and they also indicate that they will have minimal volumes available for spot buyer interest. Australian production of whole milk powder during the period of July 2003 - May 2004 is 3.7% lighter than the comparable period in 2002 - 2003.

26% BUTTERFAT:	2,000 - 2,200
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Exchange rates for selected foreign currencies: JULY 06, 2004

.7536 Canadian Dollar	.0217 Indian Rupee
.3401 Argentina Peso	.6494 New Zealand Dollar
.0871 Mexican Peso	.7129 Australian Dollar
.2727 Polish Zloty	.0091 Japanese Yen
	1.2292 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0871) = 11.4810. That is 1 US Dollar equals 11.4810 Mexican Pesos.

Source: "Wall Street Journal"

EASTERN OVERVIEW CONTINUED: their customer base is returning to inquire about potential product availability. Supplies in this region of Europe appear to be somewhat more available than in Western regions and sometimes more competitively priced.

MAY 2004 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 102.4 million pounds in May, 10.9 percent below May 2003 but 6.1 percent above April 2004. **AMERICAN TYPE CHEESE** production totaled 327.1 million pounds, 2.4 percent above May 2003 and 1.5 percent above April 2004. **TOTAL CHEESE** output (excluding cottage cheese) was 744.1 million pounds, 1.0 percent above May 2003 but 1.7 percent below April 2004. **NONFAT DRY MILK** production, for human food, totaled 148.1 million pounds, 9.6 percent below May 2003 but 10.5 percent above April 2004. **DRY WHEY** production, for human food, was 82.6 million pounds, 9.0 percent below May 2003 and 2.1 percent below April 2004. **ICE CREAM** (hard) production totaled 74.8 million gallons, 7.5 percent below May 2003 and 3.3 percent below April 2004.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	MAY 2004	PERCENT CHANGE FROM:			PRODUCT	MAY 2004	PERCENT CHANGE FROM:		
	1,000 LBS.	MAY 2003	APR 2004	YEAR TO DATE 1/		1,000 LBS.	MAY 2003	APR 2004	YEAR TO DATE 1/
BUTTER	102,393	-10.9	6.1	-15.9	SOUR CREAM	75,995	-0.8	---	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	220,667	10.3	2.7	---
AMERICAN TYPES 2/	327,101	2.4	1.5	2.8	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	246,735	3.2	1.4	1.9	SWEET-TYPE, HUMAN FOOD	8,307	-18.2	15.5	---
SWISS	24,080	7.3	-0.9	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	5,950	-25.3	-7.3	---	DRY WHEY, HUMAN FOOD	82,617	-9.0	-2.1	---
CREAM & NEUFCHATEL	50,070	-6.5	-16.4	---	DRY WHEY, ANIMAL FEED	8,197	27.3	8.3	---
HISPANIC	9,812	-13.3	-14.6	---	DRY WHEY, TOTAL	90,814	-6.6	-1.3	-4.8
MOZZARELLA	244,875	-0.5	-1.9	6.8	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	57,973	2.8	-3.0	5.1	HUMAN FOOD	3,015	-2.5	-30.7	---
TOTAL ITALIAN TYPES	302,848	0.1	-2.1	6.5	ANIMAL FEED 7/	3,787	5.6	5.7	---
ALL OTHER TYPES	24,283	23.3	6.4	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	57,979	14.6	6.6	---
TOTAL	744,144	1.0	-1.7	4.8	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	35,163	-7.2	-5.1	---	HUMAN FOOD	24,438	-8.7	0.5	---
COTTAGE CHEESE, CREAM 4/	30,697	-6.2	-2.1	0.1	ANIMAL FEED	3,689	10.9	-0.7	---
COTTAGE CHEESE, LOWFAT 5/	34,064	6.3	5.9	4.2	FROZEN PRODUCTS				
CANNED EVAPORATED & CONDENSED					1,000 GALLONS				
WHOLE MILK	46,014	-25.1	19.4	---	ICE CREAM (HARD)	74,820	-7.5	-3.3	-6.7
DRY WHOLE MILK	3,154	64.4	-40.1	---	ICE CREAM, LOWFAT (HARD)	9,956	5.6	-12.6	---
NONFAT DRY MILK, HUMAN FOOD	148,133	-9.6	10.5	-16.0	ICE CREAM, LOWFAT (SOFT)	27,925	11.2	1.3	---
DRY SKIM MILK, ANIMAL FEED	387	-17.7	-11.4	---	ICE CREAM, LOWFAT (TOTAL)	37,881	9.7	-2.8	15.3
DRY BUTTERMILK	5,464	16.5	8.5	---	SHERBET (HARD)	4,956	-2.0	-4.2	1.8
					YOGURT (TOTAL)	6,321	-3.6	5.1	-8.0
MANUFACTURERS' STOCKS, END OF MONTH 8/									
PRODUCT	MAY 2004	PERCENT OF:		PRODUCT	MAY 2004	PERCENT OF:		PRODUCT	MAY 2004
	1,000 LBS.	MAY 2003	APR 2004		1,000 LBS.	MAY 2003	APR 2004		1,000 LBS.
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE					
DRY WHEY, HUMAN FOOD	33,703	-25.7	3.8	HUMAN FOOD	18,092	-41.0	4.6		
DRY WHEY, ANIMAL FEED	4,886	115.8	24.5	ANIMAL FEED	1,748	8.8	6.1		
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	7,069	-30.3	-5.2	CANNED EVAPORATED & CONDENSED WHOLE MILK	55,756	-11.9	10.6		
LACTOSE, HUMAN FOOD & ANIMAL FEED	55,448	37.7	1.6	NONFAT DRY MILK FOR HUMAN FOOD	121,660	-4.5	17.4		
DRY BUTTERMILK, TOTAL	4,521	-52.1	11.2						

1/ 2004 cumulative as percent change of 2003 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Not shown when fewer than 3 plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (7-04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JUNE

Component Price Information: Under the Federal milk order pricing system, the butterfat price for June 2004 is \$2.1768 per pound. Thus, the Class II butterfat price is \$2.1838. The protein and other solids prices for June are \$3.1086 and \$0.1339 per pound, respectively. These component prices set the Class III skim milk price at \$10.43 per cwt. The June Class IV skim milk price is \$6.32 which is derived from the nonfat solids price of 0.7026 per pound. **Product Price Averages:** The product price averages for June are; butter \$1.9290, nonfat dry milk \$0.8497, cheese \$1.8411, and dry whey \$0.2890.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	JUNE 2004				JULY 2004
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	24.38	14.31	17.68	13.72	21.20
Appalachian (Charlotte) 5/	005	24.23	14.31	17.68	13.72	21.05
Southeast (Atlanta) 6/	007	24.23	14.31	17.68	13.72	21.05
Florida (Tampa) 7/	006	25.13	14.31	17.68	13.72	21.95
Mideast (Cleveland) 8/	033	23.13	14.31	17.68	13.72	19.95
Upper Midwest (Chicago) 9/	030	22.93	14.31	17.68	13.72	19.75
Central (Kansas City) 10/	032	23.13	14.31	17.68	13.72	19.95
Southwest (Dallas) 11/	126	24.13	14.31	17.68	13.72	20.95
Arizona-Las Vegas (Phoenix) 12/	131	23.48	14.31	17.68	13.72	20.30
Pacific Northwest (Seattle) 13/	124	23.03	14.31	17.68	13.72	19.85
All-Market Average	---	23.78	14.31	17.68	13.72	20.60

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

MAY FLUID MILK SALES

During May, about 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 6.9 percent lower than May 2003. After adjusting for calendar composition, sales in May 2004 were 4.3 percent lower than May 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from May 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/in-arealesales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
MAY 2004, WITH COMPARISONS ^{1/}

Product Name	Sales		Change from: ^{2/}	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,409	7,450	-8.8	-2.5
Flavored Whole Milk	69	378	-22.2	-9.8
Reduced Fat Milk (2%)	1,384	7,278	-6.4	-0.8
Low Fat Milk (1%)	506	2,608	-6.1	-2.5
Fat-Free Milk (Skim)	633	3,250	-5.7	-3.1
Flavored Fat-Reduced Milk	304	1,612	1.8	7.8
Buttermilk	43	224	-8.6	-3.8
Total Fluid Milk Products ^{3/}	4,362	22,872	-6.9	-1.4
Total Fluid Milk Products Adjusted ^{3/ 4/}	4,419	22,722	-4.3	-1.9

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see ^{4/}. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MAY 2004, WITH COMPARISONS ^{1/}

Area (Order Number)	Sales		Change from: ^{2/}	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	780	4,003	-5.6	-1.2
Appalachian (005)	273	1,454	-5.7	1.3
Southeast (007)	381	1,986	-6.7	-3.2
Florida (006)	232	1,240	-3.4	0.7
Mideast (033)	505	2,642	-6.7	-1.6
Upper Midwest (030)	351	1,820	-6.0	-1.4
Central (032)	367	1,945	-6.2	-0.9
Southwest (126)	333	1,760	-6.1	-0.1
Arizona-Las Vegas (131)	103	551	-5.9	0.2
Western (135) ^{3/}	--	---	---	---
Pacific Northwest (124)	176	896	-5.5	-1.8
California (---)	512	2,655	-8.6	-2.5

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see ^{3/} above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see ^{4/} above.

^{3/} Effective April 1, 2004, the Western Federal milk order was terminated.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JULY 5 - 9, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 07/02/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	10,471,808	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,723,680	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	12,195,488	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	3,840,106	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,545,706	-0-	-0-
Process	-0-	-0-	-0-	-0-	31,798,800	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	41,184,612	-0-	-0-
NONFAT DRY MILK							
Nonfortified	4,997,107#	1,441,808	3,555,299	314,634,991#\$	544,543,089	628,630,000	1,280,824,000
Fortified	-0-	-0-	-0-	-119,048	495,366	46,391,000	46,391,000
TOTAL	4,997,107	1,441,808	3,555,299	314,515,943	545,038,455	675,021,000	1,327,215,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 83,760,828 \$ Includes export donation deliveries under Invitation 070. Note: Last week's (6/28 - 7/2) were all made under Invitation 080.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 5 - 9, 2004 =	0.8	41.4	COMPARABLE PERIOD IN 2003 =	-14.0	158.8
CUMULATIVE SINCE OCTOBER 1, 2003 =	68.3	3,661.0	CUMULATIVE SAME PERIOD LAST YEAR =	765.9	6,753.4
CUMULATIVE JANUARY 1 - JULY 9, 2004 =	42.8	2,311.7	COMPARABLE CALENDAR YEAR 2003 =	691.8	5,487.8

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JULY 5 - 9, 2004 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	3,555,299	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	32,010,372	7,646,276	21,921,686	2.5	39.2
WEST	-42,309	12,195,488	-0-	9,174,240	302,585,893	484,733,530	96.1	59.7
EAST	-0-	-0-	-0-	-0-	4,283,774	38,383,239	1.4	1.1
TOTAL	-42,309	12,195,488	-0-	41,184,612	314,515,943	545,038,455	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **66,666,155 pounds**.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 06/19/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2004-Dairy	0.1	0.7	5.5	2.0	17.2	2.6	0.4	0.9	9.7	1.8	41.0	1,137.1
2003-Dairy	0.2	0.7	6.1	4.8	16.7	2.4	0.3	0.8	13.0	2.1	47.0	1,377.2
2004-All cows	0.1	0.7	7.0	10.5	28.1	15.8	14.4	2.9	12.6	5.0	97.1	2,413.9
2003-All cows	0.2	0.9	8.1	14.8	26.8	15.6	14.7	3.1	15.9	5.9	105.9	2,852.2

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95					
II	11.67	12.90	14.79	15.21	15.03	14.31						
III	11.61	11.89	14.49	19.66	20.58	17.68						
IV	10.97	12.21	14.10	14.57	14.50	13.72						

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm